



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CALLOWAY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
CALLOWAY COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	19
SCHEDULE OF OPERATING REVENUE	22
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	31
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	43
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	47
FINDINGS AND QUESTIONED COSTS.....	51
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	55
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	56
APPENDIX A: CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Larry Elkins, County Judge/Executive
Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Calloway County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Calloway County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Calloway County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Calloway County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Larry Elkins, County Judge/Executive
Members of the Calloway County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Calloway County, Kentucky, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Findings and Questioned Costs, included herein, which discusses the following areas of noncompliance:

- Budget Amendments Should Be Utilized
- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- Proper Clothing Should Be Provided Prisoners Through The County's Jail Fund

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 1999 on our consideration of Calloway County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 1999

CALLOWAY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

Larry Elkins	County Judge/Executive
Randall A. Hutchens	County Attorney
Ray Coursey, Jr.	County Clerk
Ann Wilson	Circuit Court Clerk
Stan Scott	Sheriff
Pat M. Paschall	Jailer
Ronnie Jackson	Property Valuation Administrator
Sue Outland	County Treasurer
Dwaine Jones	Coroner
Clyde Hale	Magistrate
Steve Lax	Magistrate
Dan Miller	Magistrate
Bobby Stubblefield	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CALLOWAY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$	556,526
Notes Receivable (Note 4)		42,581

Road and Bridge Fund:

Cash		57,869
------	--	--------

Jail Fund:

Cash		69,336
------	--	--------

Jail Commissary Fund:

Cash		5,331
Investments		10,085

Local Government Economic Assistance Fund:

Cash		10,890
------	--	--------

Jail Grant Fund:

Cash		324,503
------	--	---------

Jail Construction Fund:

Cash		219,942
------	--	---------

Public Properties Corporation Fund:

Cash		762,154
------	--	---------

Other Resources

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for		
Bond Principal Payments		8,575,000

Total Assets and Other Resources

		\$ 10,634,217
--	--	---------------

The accompanying notes are an integral part of the financial statements.

CALLOWAY COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 1999
(Continued)

Liabilities and Fund Balances

Liabilities

Public Properties Corporation Fund:

Bond Principal Not Matured (Note 5)	\$ 8,575,000
-------------------------------------	--------------

Fund Balances

Reserved:

Jail Commissary Fund	15,416
Jail Grant Fund	324,503
Jail Construction Fund	219,942
Public Properties Corporation Fund	762,154

Unreserved:

General Fund	599,107
Road and Bridge Fund	57,869
Jail Fund	69,336
Local Government Economic Assistance Fund	<u>10,890</u>

Total Liabilities and Fund Balances	<u>\$ 10,634,217</u>
-------------------------------------	----------------------

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CALLOWAY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,175,730	\$ 3,335,003	\$ 1,176,200	\$ 617,842
Transfers In	806,911		230,000	485,000
Kentucky State Treasurer - Administrative Office of the Courts	164,601			
Public Properties Corporation Income	58,184			
Jail Commissary Fund Receipts	132,061			
Total Cash Receipts	<u>\$ 7,337,487</u>	<u>\$ 3,335,003</u>	<u>\$ 1,406,200</u>	<u>\$ 1,102,842</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,468,554	\$ 2,917,204	\$ 1,352,304	\$ 1,085,758
Transfers Out	806,911	230,000		
Detention Center Construction	6,820			
Judicial Center Construction	230,338			
Bonds:				
Principal Paid	275,000			
Interest Paid	358,020			
Jail Commissary Fund Expenditures	140,680			
Total Cash Disbursements	<u>\$ 7,286,323</u>	<u>\$ 3,147,204</u>	<u>\$ 1,352,304</u>	<u>\$ 1,085,758</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 51,164	\$ 187,799	\$ 53,896	\$ 17,084
Cash Balance - July 1, 1998	1,965,472	368,727	3,973	52,252
Cash Balance - June 30, 1999*	<u>\$ 2,016,636</u>	<u>\$ 556,526</u>	<u>\$ 57,869</u>	<u>\$ 69,336</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

CALLOWAY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Jail Grant Fund	Jail Construction Fund	Public Properties Corporation Fund
\$	\$ 12,350	\$ 165,814	\$ 868,521	\$
				91,911
				164,601
				58,184
132,061				
\$ 132,061	\$ 12,350	\$ 165,814	\$ 868,521	\$ 314,696
\$	\$ 9,240	\$	\$ 104,048	\$
			576,911	
				6,820
				230,338
			140,000	135,000
				358,020
140,680				
\$ 140,680	\$ 9,240	\$ 0	\$ 820,959	\$ 730,178
\$ (8,619)	\$ 3,110	\$ 165,814	\$ 47,562	\$ (415,482)
24,035	7,780	158,689	172,380	1,177,636
\$ 15,416	\$ 10,890	\$ 324,503	\$ 219,942	\$ 762,154

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Calloway County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund and the Public Properties Corporation Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Calloway County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The County maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County met the requirements stated above, and as of June 30, 1999, deposits were fully insured or collateralized at a 100% level with collateral held by the county's agent in the county's name.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 4. Receivable

The county loaned \$32,000 to the Calloway County Sheriff during the fiscal year 1999, as advancements to operate the Sheriff's office. Terms of the agreement stipulate a 4-year repayment schedule of annual installments of \$14,193.61 beginning in 1999 fiscal year. The note is noninterest bearing. The beginning balance as of July 1, 1998 was \$51,312 and was increased by \$32,000 of additional borrowings during the fiscal year. The sheriff repaid \$40,731 during the fiscal year, leaving a balance of \$42,581 owed as of June 30, 1999.

Note 5. Long-Term Debt

On November 14, 1996, the county authorized the Public Properties Corporation to issue up to \$4,670,000 of Revenue Bonds, Series 1996. These bonds were issued to retire Revenue Bond Anticipation Notes, Series 1995, dated July 1, 1995 and to provide long-term financing for the County Detention Facilities.

County Detention Facilities:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
1999-2000	\$ 150,000	\$ 223,080
2000-2001	155,000	215,280
2001-2002	165,000	207,220
2002-2003	175,000	198,640
2003-Thereafter	<u>3,645,000</u>	<u>1,575,600</u>
Totals	<u>\$4,290,000</u>	<u>\$2,419,820</u>

On March 13, 1997, the County authorized the Public Properties Corporation to issue up to \$4,640,000 of Revenue Bonds, Series 1997, to provide funding for the construction and equipment for the Court Annex Facility

Court Annex Facilities:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
1999-2000	\$ 140,000	\$ 224,445
2000-2001	145,000	217,795
2001-20002	150,000	210,907
2002-2003	160,000	203,783
2003-Thereafter	<u>3,690,000</u>	<u>1,805,866</u>
Totals	<u>\$4,285,000</u>	<u>\$2,662,796</u>

Total Bond Principal not matured was \$8,575,000.

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1999
 (Continued)

Note 6. Jail Commissary Fund

In the prior year audit report, we reported the Jail Commissary Fund with a balance of \$13,751 as of June 30, 1998. This balance was restated July 1, 1999 to \$24,035 in order to include a certificate of deposit of \$10,000 and adjust for prior year voided checks.

Note 7. Commitments and Contingencies

The City of Murray and Calloway County are participating in a one-year lease with the Murray-Calloway County Public Hospital Corporation for expansion of the Murray-Calloway County Hospital and to refinance certain obligations of the hospital's nursing home. The City of Murray and Calloway County sublease the hospital and nursing home to the Murray-Calloway County Public Hospital Corporation for yearly rental payments equal to the annual requirements of the \$6,675,000 of mortgage bonds originally issued for the hospital and nursing home project in June, 1992. The lease between the Corporation and the City of Murray and Calloway County is renewable annually. In case of default by the Corporation, the City and county are each liable for fifty percent of the bond debt requirement. If the City is unable to provide its share of the bond debt requirement, the county is then responsible for the full amount for that year.

The principal balance as of June 30, 1999 was \$6,365,000. Debt service requirements for fiscal year ending June 30, 2000 are:

	<u>Principal</u>	<u>Interest</u>
July 1, 1999	\$80,000	\$196,015
January 1, 2000	<u> </u>	<u>194,015</u>
Total	<u>\$80,000</u>	<u>\$390,030</u>

Note 8. Insurance

For the fiscal year ended 1999, Calloway County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 1,703,819	\$ 3,335,003	\$ 1,631,184
Road and Bridge Fund	1,574,224	1,176,200	(398,024)
Jail Fund	1,109,954	617,842	(492,112)
Local Government Economic Assistance Fund	1,460	12,350	10,890
Jail Grant Fund	213,071	165,814	(47,257)
Jail Construction Fund	146,184	868,521	722,337
Totals	<u>\$ 4,748,712</u>	<u>\$ 6,175,730</u>	<u>\$ 1,427,018</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,748,712
Add: Budgeted Prior Year Surplus			<u>623,804</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 5,372,516</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

CALLOWAY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 1,907,561	\$ 1,161,420	\$	\$
Advertising Cost	2,296	2,296		
County Clerk:				
Motor Vehicle	284,804	180,950		
Deed Transfer Tax	80,751	80,751		
Occupational Licenses	169	169		
Delinquent Taxes	17,017	13,023		
Excess Fees - 1998	242,848	242,848		
Tangible Personal Property Taxes:				
Other Counties	13,392	9,684		
Omitted Taxes	11,907	9,931		
In Lieu of Taxes:				
Tennessee Valley Authority	55,185	55,185		
Public Housing	1,749	1,749		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 2,617,679	\$ 1,758,006	\$ 0	\$ 0
<hr/>				
<u>Federal Receipts - State Treasurer</u>				
Housing and Urban Development Community Development Block Grant	\$ 999,250	\$ 999,250	\$	\$
Disaster and Emergency Assistance Grant - Coordinator Salary	44,295	44,295		
Section Eight Housing Assistance Program	9,060	9,060		
U. S. Department of Justice Public Safety Partnership and Community Policing Grant	5,064	5,064		
Housing and Urban Development Disaster Recovery Initiative Grant - 1997 Flood Relief	13,961		13,961	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 1,071,630	\$ 1,057,669	\$ 13,961	\$ 0

CALLOWAY COUNTY
SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Jail Grant Fund	Jail Construction Fund
\$	\$	\$ 746,141
		103,854
		3,994
		3,708
		1,976
<hr/>	<hr/>	<hr/>
\$ 0	\$ 0	\$ 859,673
\$	\$	\$
<hr/>	<hr/>	<hr/>
\$ 0	\$ 0	\$ 0

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 76,219	\$	\$	\$ 76,219
Medical Allotments	6,375			6,375
Driving Under The Influence Fees	6,139			6,139
State Prisoner - Controlled Intake	381,899			381,899
Court Costs, Jail Operation	13,154			13,154
Jail Contract with Other Counties	4,477			4,477
Medical Payments	30,348			30,348
Detention Subsidy Program	620			620
Other State Payments	39,135			39,135
County Road Aid	869,282		869,282	
Truck License Distribution	161,449		161,449	
Election Expense Reimbursement	13,260	13,260		
Courthouse Rental - Administrative				
Office of the Courts	121,925	121,925		
Refunds:				
Legal Process Tax	202	202		
Dog Licenses	23,705	23,705		
Drivers Licenses	3,187		3,187	
State Reimbursements and Refunds		422	74,554	2,728
Apportioned Taxes	11,851	7,542		
Severance Taxes:				
Coal	7,197			
Mineral	5,153			
Board of Assessments	250	250		
Grants:				
Ambulance	24,869	24,869		
Construction	27,524	27,524		
Disaster and Emergency Services Reimbursement Grant	2,556	2,556		
Jail Construction	153,065			
Totals	<u>\$ 2,061,544</u>	<u>\$ 222,255</u>	<u>\$ 1,108,472</u>	<u>\$ 561,093</u>

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Jail Grant Fund	Jail Construction Fund
\$	\$	\$
		4,309
7,197		
5,153		
	153,065	
\$ 12,350	\$ 153,065	\$ 4,309

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 44,092	\$ 20,028	\$ 8,109	\$
Circuit Court Clerk:				
Work Release	30,010			30,010
Jail Bonds	1,780			1,780
County Attorney				
Restitution - Bad Checks	2,731	2,631	100	
Child Support	15,161	15,161		
Licenses and Permits:				
Cable TV Franchise	10,090	10,090		
Charges for Services:				
Animal Shelter	8,226	8,226		
Rent Income	600	600		
Reimbursements:				
Employee Insurance	74,075	73,365	674	36
Purchase Area Enhanced - 911	20,903	20,903		
Sheriff's Advancement	40,731	40,731		
Overpayments	4,926	4,577		349
Jail Commissary	6,375			6,375
Insurance Claims	9,888	9,888		
Sale of Road Materials	44,843		44,843	
Prior Year Sheriff's Commission	90,000	90,000		
Miscellaneous Items	20,446	873	41	18,199
Totals	\$ 424,877	\$ 297,073	\$ 53,767	\$ 56,749
Total Operating Revenue	\$ 6,175,730	\$ 3,335,003	\$ 1,176,200	\$ 617,842

CALLOWAY COUNTY
SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

[illegible]

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CALLOWAY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 54,462	\$ 54,315	\$ 147
Other Salaries	25,835	25,835	
Office Materials and Supplies	3,220	3,220	
Office of County Attorney:			
Salaries-			
County Attorney	13,811	13,811	
Secretary	25,512	25,512	
Clerk	2,878	2,878	
Temporary Part-Time	1,062	803	259
Other Salaries	18,845	10,363	8,482
Child Support Reimbursement	9,003	8,329	674
Office of County Clerk:			
Tax Bill Preparation	14,760	11,368	3,392
Office Materials and Supplies	59,157	59,157	
Office of Sheriff:			
Grant	15,582	11,039	4,543
Dispatch Service	101,091	100,956	135
Materials and Supplies	46,500	46,322	178
Equipment	2,500	198	2,302
Reimbursement	35,000	32,000	3,000
Legal Fees	5,000	212	4,788
Transport	865	865	
Office of County Coroner:			
Salaries-			
County Coroner	7,634	7,634	
Deputy Coroner	2,451	2,451	
Program Support	7,373	7,373	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fiscal Court:			
Magistrates-			
Salaries	\$ 44,899	\$ 44,899	\$
Expense Allowance	14,400	14,400	
Advertising	16,319	15,066	1,253
Registration, Conference, and Training	2,095	1,716	379
Accounting Services	2,025	1,721	304
Office of Property Valuation Administrator:			
Statutory Contribution	49,841	49,841	
Office of Board of Assessment Appeals:			
Board and Committee Members Fees	1,300	500	800
Office of County Treasurer:			
Salaries-			
County Treasurer	39,623	39,623	
Assistant	23,909	23,909	
Computer Software	2,794	2,794	
Office Materials and Supplies	2,000	1,919	81
Psychiatric Court Order Evaluations	1,000		1,000
Elections:			
Per Diem-			
Election Commissioners	3,194	2,129	1,065
Election Officers	20,622	20,622	
Election Tabulators	1,500	1,383	117
Other Per Diem and Fees	300	300	
Polling Places	700	700	
Printing, Stationery, and Forms	27,611	27,531	80
Program Support	1,000	306	694

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Economic Development:			
Chamber of Commerce	\$ 2,500	\$ 2,500	\$
Mattel Project		999,250	(999,250)
Courthouse:			
Salaries-			
Janitor	13,126	13,126	
Other Salaries	18,617	18,616	1
Temporary and Part-Time Help	13,007	12,555	452
Janitorial Services			
Custodial Supplies	8,000	5,105	2,895
Building Maintenance Supplies	11,862	11,862	
Maintenance and Repair-			
Equipment	4,302	2,427	1,875
Elevator Maintenance	2,759	2,759	
Renewals and Repairs	15,770	15,333	437
Utilities	57,226	57,226	
Other County Properties:			
Dexter Community Center	504	504	
Hazel Community Center	500	500	
Annex Building:			
Salaries-			
Custodial Personnel	34,914	26,645	8,269
Other Materials and Supplies	31,570	31,570	
Renewals And Repairs	50,930	158	50,772
Utilities	55,000	43,139	11,861
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Director Salary	5,050	5,050	
Office Materials and Supplies	500	450	50
Program Support	6,500	6,151	349

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Forest Fire Protection:			
Program Support	\$ 6,000	\$ 6,000	\$
Ambulance Services:			
Equipment	40,341	40,341	
Office of the Public Defender:			
Mandated Program Support	3,842	3,842	
General Health and Sanitation:			
Program Support	50,345	50,345	
Building Maintenance Supplies	13,770	13,046	724
Utilities	7,130	7,130	
Solid Waste Coordinator Salary	25,000	24,396	604
Mental Health and Mental Retardation:			
Contributions	5,000	5,000	
Flood Control Project	871	871	
Services to Indigents:			
General Welfare	7,500	7,500	
Senior Citizens Program:			
Program Support	3,500	3,500	
Services to Children and Youth:			
Program Support	3,975	3,975	
General Charity and Welfare:			
Pauper Welfare	2,250	2,250	
Other Social Service Programs:			
Alcohol and Drug Program-			
Salaries and Wages	10,162	10,162	
Rape Center-			
Program Support	1,000	1,000	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Recreation and Culture</u>			
Parks:			
Program Support	\$ 122,975	\$ 110,000	\$ 12,975
Celebrations, Festivals, and Cultural Programs:			
Contributions	2,000	2,000	
Other Cultural Programs:			
Contributions	1,500	1,500	
<u>Capital Projects</u>			
Airport:			
Program Support	13,500	13,500	
Development	15,000	15,000	
Other Capital Projects:			
Capital Improvements	27,524	27,524	
911 - Assistants	10,344	8,650	1,694
911 - Supervisor	22,011	22,011	
911 - Program Support	3,650	3,024	626
Office Equipment	4,500	4,123	377
Rescue Vehicle	5,000	5,000	
<u>Administration</u>			
General Services:			
Audit Services	13,706	6,715	6,991
Contracts with Government Agencies-			
Health Insurance	252,000	245,110	6,890
Murray/Calloway County Transit	6,000	6,000	
Program Support	10,250	10,250	
Bank Charges	200	26	174
Insurance-			
Buildings	99,970	99,970	
Bonds	5,431	5,431	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
General Services: (Continued)			
Memberships-			
Area Development District	\$ 3,400	\$ 3,368	\$ 32
KACO	1,100	1,100	
Other	2,500	2,224	276
Contingent Appropriations:			
Reserve for Transfers	402		402
Fringe Benefits:			
County Contributions-			
Social Security	97,000	93,231	3,769
Retirement	101,444	101,444	
Unemployment Insurance	15,145	10,578	4,567
Worker's Compensation	15,000	11,141	3,859
Total General Fund	<u>\$ 2,072,548</u>	<u>\$ 2,917,204</u>	<u>\$ (844,656)</u>

ROAD AND BRIDGE FUND

General Government

Roads:

Office of Road Supervisor/Engineer:

Road Supervisor Salary	\$ 28,045	\$ 28,045	\$
------------------------	-----------	-----------	----

Road Maintenance:

Road Labor Salaries	474,410	474,410	
Contracts with Private Agencies-			
Storage Tank Removal	7,800	6,030	1,770
Program Support	19,239	19,239	
Crushed Stone and Gravel	202,917	123,905	79,012
Machinery and Equipment	32,603	2,602	30,001

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Road Maintenance: (Continued)			
Motor Vehicle Parts	\$ 136,815	\$ 136,815	\$
Office Supplies	1,500	1,323	177
Road Maintenance Materials	300,000	215,923	84,077
Petroleum Products	73,655	73,655	
Pipe and Concrete	92,295	92,295	
Utilities	13,500	11,969	1,531
<u>Debt Service</u>			
Leases:			
Lease Purchases	71,107	71,107	
<u>Administration</u>			
General Services:			
Bank Charges	149	149	
Contingent Appropriations:			
Reserve for Transfers	24,002		24,002
Fringe Benefits:			
County Contributions-			
Social Security	35,660	35,660	
Retirement	34,500	34,177	323
Unemployment Insurance	15,000	10,000	5,000
Workman's Compensation	15,000	15,000	
Total Road and Bridge Fund	\$ 1,578,197	\$ 1,352,304	\$ 225,893

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 54,315	\$ 54,315	\$
Jail Personnel	357,545	349,273	8,272
Administrative Personnel	40,019	39,580	439
Food Service Personnel	63,441	63,441	
Part-Time Personnel	26,533	24,349	2,184
Overtime Pay	5,000		5,000
Operations-			
Cleaning Supplies	21,960	21,036	924
Food	98,810	89,444	9,366
Food Preparation and Serving Supplies	4,500	2,046	2,454
Jail Linens	3,000	1,987	1,013
Office Supplies	9,181	9,181	
Prisoner Clothing	4,000	791	3,209
Prisoner Hygiene	3,566	3,267	299
Routine Medical	85,678	82,224	3,454
Staff Uniforms	7,167	7,167	
Staff Travel and Training	5,000	3,690	1,310
Utilities	55,000	51,932	3,068
Telephone	9,153	9,153	
Pest Control	1,000	975	25
Transporting Prisoners to			
Other Counties	5,000	987	4,013
Housing Prisoners - Other Counties	95,376	95,376	
Miscellaneous	6,812	6,812	
Maintenance-			
Maintenance	20,517	20,517	
Building Repairs	18,414	18,414	
Equipment Repairs	6,111	6,111	
Maintenance Supplies	4,248	4,248	
Equipment	19,134	19,134	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>JAIL FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Building Insurance	\$ 2,180	\$	\$ 2,180
Association Dues	1,300	1,300	
Liability Insurance	4,000	4,000	
Contingent Appropriations:			
Reserve for Budget Transfers	9,735		9,735
Fringe Benefits:			
County Contributions-			
Social Security	43,963	38,601	5,362
Retirement	46,548	39,057	7,491
Unemployment Insurance	4,000	1,943	2,057
Workman's Compensation	20,000	15,407	4,593
Total Jail Fund	<u>\$ 1,162,206</u>	<u>\$ 1,085,758</u>	<u>\$ 76,448</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
Streets and Highways	<u>\$ 9,240</u>	<u>\$ 9,240</u>	<u>\$ 0</u>
<u>JAIL CONSTRUCTION GRANT FUND</u>			
<u>Debt Service:</u>			
Capital Project	<u>\$ 318,565</u>	<u>\$ 0</u>	<u>\$ 318,565</u>

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL CONSTRUCTION FUND</u>			
<u>Debt Service:</u>			
Bond Interest Payment	\$ 208,708	\$ 103,623	\$ 105,085
Trustee Fees	850	425	425
Reserve for Transfers	<u>22,202</u>		<u>22,202</u>
Total Jail Construction Fund			
Operating Budget	<u>\$ 231,760</u>	<u>\$ 104,048</u>	<u>\$ 127,712</u>
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	\$	\$ 91,911	\$ (91,911)
Bond Principal Payment	<u>140,000</u>	<u>140,000</u>	
Total Jail Construction Fund	<u>\$ 371,760</u>	<u>\$ 335,959</u>	<u>\$ 35,801</u>
Total Operating Budget - All Funds	\$ 5,372,516	\$ 5,468,554	\$ (96,038)
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund		91,911	(91,911)
Bond Principal Payment	<u>140,000</u>	<u>140,000</u>	
TOTAL BUDGET - ALL FUNDS	<u>\$ 5,512,516</u>	<u>\$ 5,700,465</u>	<u>\$ (187,949)</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Larry Elkins, County Judge/Executive
Members of the Calloway County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Calloway County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calloway County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Findings and Questioned Costs.

- Budget Amendments Should Be Utilized
- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calloway County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Calloway County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Findings and Questioned Costs.

- Budget Amendments Should Be Utilized
- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- Proper Clothing Should Be Provided Prisoners Through The County's Jail Fund

Honorable Larry Elkins, County Judge/Executive
Members of the Calloway County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Larry Elkins, County Judge/Executive
Members of the Calloway County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Calloway County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 1999. Calloway County's major federal program is identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Calloway County's management. Our responsibility is to express an opinion on Calloway County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Calloway County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Calloway County's compliance with those requirements.

In our opinion, Calloway County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Calloway County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing our audit, we considered Calloway County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable Larry Elkins, County Judge/Executive
Members of the Calloway County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 1999

FINDINGS AND QUESTIONED COSTS

CALLOWAY COUNTY
FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Calloway County.
2. Three reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report. None of the conditions are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Calloway County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for Calloway County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Calloway County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant, CFDA #14.228
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Calloway County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

Reportable conditions are fully described in the noncompliance section below.

- Budget Amendments Should Be Utilized
- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- Proper Clothing Should Be Provided Prisoners Through The County's Jail Fund

NONCOMPLIANCES

1. Budget Amendments Should Be Utilized

The county did not get approval from the Department for Local Government to amend the 1998-1999 budget for the Mattel Distribution Center Project Grant Receipts. While the county did send an amendment to the State Local Finance Officer, he did not sign the amendment due to the amendment occurring after the expenditure of the grant monies. Because of this noncompliance to amend the budget as prescribed in KRS 68.280, the county overspent their total budget by \$187,949. We recommend the county utilize budget amendments as prescribed by KRS 68.280.

Management's Response:

A budget amendment was done for the previous fiscal year, however, the money was not received until FY 98-99.

CALLOWAY COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 1999
 (Continued)

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

NONCOMPLIANCES (Continued)

2. All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

All claims should be presented to the fiscal court for review prior to payment. Based on the test of expenditures, the payments from the Public Properties Corporation were not approved by the fiscal court. The fiscal court is the Public Properties Corporation Board. In addition, the fiscal court did not approve expenditures from the General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Jail Construction Fund. KRS 68.275 requires the County Judge/Executive to present all claims to the fiscal court for review prior to payment. We recommend the fiscal court members take a more active role by reviewing all claims prior to payment.

Management's Response:

All subsequent claims will be presented to the fiscal court for approval.

3. Proper Clothing Should Be Provided Prisoners Through The County's Jail Fund

We recommend the Jailer provide proper clothing to inmates who are not allowed to bring clothing into the Jail. During discussions with the Jailer and Jail Commissary Officer, we noted that inmates who were incarcerated were not allowed to bring any extra clothing into the jail. The jailer should provide all parts of required uniforms if prisoners are not allowed to provide their own clothing. This clothing should be provided by the county through the Jail Fund, not sold to prisoners through the Jail Commissary.

Management's Response:

The Jailer will comply with this recommendation.

PRIOR YEAR FINDINGS

Two prior year findings were corrected; 1) the fiscal court should follow proper bidding procedures and 2) the county should have required depository institutions to pledge additional securities of \$227,098 as collateral and entered into a written agreement to protect deposits. The fiscal court did not correct the following finding and it is repeated above.

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
 AUDIT

None

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CALLOWAY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
 <u>U.S. Department of Housing and Urban Development</u>		
Direct Program:		
Section Eight Housing Assistance Program		
(CFDA #14.182)	N/A	\$ 9,060
 Passed-Through State Department of Local Government:		
Community Development Block Grants-		
(CFDA #14.228)	B-97-DC-21-0001	999,250
 <u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Public Safety Partnership and Community Policing Grant		
(CFDA #16.710)	95CFWX2129	5,064
 <u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary		
(CFDA #83.503)	N/A	<u>44,295</u>
Total Cash Expenditures of Federal Awards		<u>\$ 1,057,669</u>

See Notes To The Schedule Of Expenditures Of Federal Awards

CALLOWAY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for the Mattel Distribution Center Project Grant includes a grant to the subrecipient as follows:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-Through Grant Expenditure</u>
Murray-Calloway Economic Development Corporation	B-97-DC-21-0001(004)	\$999,250

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

CALLOWAY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

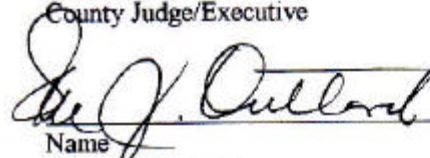
CALLOWAY COUNTY FISCAL COURT

The Calloway County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer